National Energy Board | Office national de l'énergie

Quarterly Financial Report
For the quarter ended 30 September 2011

Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the Main Estimates;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates*.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2011-12 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Actual Expenditures

There are three significant variances in the second quarter and year-to-date expenditures between 2010-11 and 2011-12 as follows:

The department's quarterly and year-to-date spending are generally in line with that of the previous year with the exception of personnel, professional and special services and rentals

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- Second quarter personnel expenditures were approximately $12.5M for both years however the 2010 number includes a one time adjustment of $1.0M related to the implementation of quarterly accruals in September of that year. The year-to-date expenditures for personnel has increased by $2.0 in 2011 over the same 6 month period in 2010. This increase is attributable to incremental Full Time Equivalents (FTEs) required due to forecasted increases in regulatory responsibility. Funding was approved for these additional FTEs in 2009-10 and the Board was able to augment the net staff complement over time.

- The $245K increase in spending in professional and special services in the second quarter is a result of increased contract spending related to the Arctic Offshore Drilling Review that is being conducted by the NEB. This increased spending was anticipated and is reflected in the planned expenditure numbers.

- Second quarter expenditures in the rentals category is approximately $130K higher in 2011-12. This variance consists of $80K for aircraft rentals, related to the Arctic Offshore Drilling Review. The remaining difference is related to timing difference for printing rental contracts and is expected to disappear in the third quarter.

Planned Expenditures

The 2010-11 Operating Budget Carry Forward was received in the second quarter resulting in an increase of $2.3M in planned expenditures. These funds have been allocated resulting in the following variances between 2010-11 and 2011-12:

- Total planned spending for personnel has decreased slightly in 2011-12. The additional funding for FTE's related to forecasted increases in regulatory responsibility has been offset in 2011-12 by the end of special allowances contained in the current collective agreement which expires 31 October 2011. It is expected that funding will be renewed for these allowances prior to 31 March 2012, but this is not reflected in this report.

- Planned spending for professional and special services has increased by almost $3.0M or 66% in 2011-12. This reflects anticipated increased spending related to the Arctic Offshore Drilling Review that is being conducted by the NEB. The other significant planned expenditure is in the area of upgraded software applications.

- The final item of note is the planned spending of $1.4M for Transfer Payments which was included in the 2011-12 Main Estimates. At the end of 2009-10 participant funding provisions were added to the National Energy Board Act and funding for this provision was made available to the NEB in the third quarter of 2010-11 through Supplementary Estimates B. The NEB's Participant Funding Program (PFP) will be used to provide financial assistance to support the engagement of Aboriginal groups, landowners, not-for-

profit organizations and other eligible persons in the regulatory assessment processes for major facility projects.

Risks and Uncertainties

The NEB's workload is driven by external events such as decisions by industry to file applications and the complexity of applications. Concerns regarding pipeline safety or environmental protection can also affect NEB workload. The majority (78%) of the NEB's costs are related to personnel. Given the competitive nature of the energy industry, the attraction and retention of qualified staff is an ongoing challenge. The current collective agreement expired on 31 October 2011. Negotiations on a new agreement are underway, however, there is a level of uncertainty related to staffing expenditures for the next few years.

Due to the nature of its mandate the NEB's expenditures can also be influenced by unplanned external events which create uncertainty in expenditures and resource pressures.

Significant Changes in Relation to Operations, Personnel and Programs

The addition of participant funding provisions to the National Energy Board Act has resulted in a permanent increase to NEB authorities.

As a result of increased interest in offshore drilling in Canada's North, the Board decided to conduct an Arctic Offshore Drilling Review. The NEB will be receiving some temporary additional funding for the review this year. The work is expected to be completed by 31 December 2011.

Approval by Senior Officials

Approved by,

Gaétan Caron, Chair and CEO

Pradeep Kharé, Chief Financial Officer

(Calgary, Canada)
(28 November 2011)

STATEMENT OF AUTHORITIES (unaudited)

(in thousands of dollars)	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Total available for use for the year ending March 31, 2012	Used during the quarter ended September 30, 2011	Year to date used at quarter-end	Total available for use for the year ended March 31, 2011	Used during the quarter ended September 30, 2010	Year to date used at quarter-end
Vote 25 - Net Operating expenditures	55,024	13,522	26,013	53,325	13,345	23,952
Budgetary statutory authorities	7,099	1,775	3,549	6,344	1,586	3,172
Total Budgetary authorities	**62,123**	**15,296**	**29,562**	**59,669**	**14,931**	**27,124**
Non-budgetary authorities						
Total authorities	**62,123**	**15,296**	**29,562**	**59,669**	**14,931**	**27,124**

DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

(in thousands of dollars)	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended September 30, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended September 30, 2010	Year to date used at quarter-end
Expenditures:						
Personnel	46,903	12,500	24,530	47,784	12,579	22,577
Transportation and communications	3,711	791	1,415	3,210	786	1,455
Information	361	105	146	251	40	114
Professional and special services	7,403	1,406	2,524	4,433	1,161	2,238
Rentals	328	173	214	331	41	79
Repair and maintenance	826	54	351	1,067	125	303
Utilities, materials and supplies	790	104	173	506	119	203
Acquisition of land, buildings and works	49	-	-	715	21	21
Acquisition of machinery and equipment	331	78	103	1,291	33	82
Transfer payments	1,366	63	63	-	-	-
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	55	22	41	82	25	52
Total gross budgetary expenditures	**62,123**	**15,296**	**29,562**	**59,669**	**14,931**	**27,124**
Less Revenues netted against expenditures:						
Regulatory Revenue	-	(14,763)	(29,737)	-	(14,723)	(29,658)
Miscellaneous Revenue	-	(8)	(12)	-	(43)	(44)
Total Revenues netted against expenditures:	-	(14,771)	(29,749)	-	(14,767)	(29,703)
Total net budgetary expenditures	**62,123**	**525**	**(187)**	**59,669**	**164**	**(2,579)**